

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 95-233 **DATE RECEIVED:** Nov 14 95
STATE AGENCY: State Board of Tax Commissioners **DATE PREPARED:** Dec 20 95

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Digest of Proposed Rule: This proposal adds 50 IAC 10 to establish rules concerning the economic revitalization area deduction and the maritime opportunity district deduction. The proposal also repeals 50 IAC 4.2-13 and it amends 50 IAC 4.2-11-9 and 50 IAC 4.2-12-11 to make technical corrections. The rule becomes effective 30 days after filing with the Secretary of State.

IC 6-1.1-31-1 provides that the State Board of Tax Commissioners may promulgate rules which are related to the duties or the procedures of the Board.

Governmental Entities:

State: The State Board of Tax Commissioners is required by Section 98 of P.L.25-1995 to adopt rules concerning the qualifications of Resources Recovery Systems (RRS) as "new manufacturing equipment". There have also been other statutory changes since 50 IAC 4.2-13 was adopted. The review and certification functions that the proposed rule places upon the State Tax Board are identical to the requirements under the current rule and therefore pose no fiscal impact. There is **no state fiscal impact** as a result of this proposal.

There are no unfunded mandates placed upon any state agency by this proposed rule.

Local: Total local revenues will not be affected. Property tax abatements are granted on new value which has not been part of the tax base. Assuming new property investments would be made even without tax incentives, if the value of the new property was placed on the tax rolls immediately, either property tax rates would decrease or property tax rate increases would be reduced. Tax abatement delays the decrease in rates. The total amount of tax abatement granted under the current rule will not change under the proposed rule and therefore, there will be **no local fiscal impact**.

There are no unfunded mandates placed upon any political subdivision by this proposed rule.

Regulated Entities:

The proposed rule allows the same deductions on new manufacturing equipment as the current rule does. Under the proposal, there would be no change in the amount of deduction received by those entities currently receiving the deduction.

As a result of the passage of HEA 1598(95), the current RRS deduction will be phased out and new RRS equipment will be eligible for property tax abatement. According to the State Tax Board, the ERA deduction would be allowed on new RRS property under the current rule.

Real property abatements are granted for 3, 6, or 10 years and personal property abatements are granted for 5 or 10 years. The abatement percent is based on an annually declining scale. For the 1994 PAY 1995 tax year the State Tax Board approved 880 ERA claims on depreciable personal property for a total of \$686,191,830 AV. Real property ERAs were reported by the counties at \$434,155,077 AV for a total real and personal ERA deduction of \$1,120,346,907 AV. Based on the statewide average net tax rate (\$8.7084 per \$100 AV) these claims had a tax dollar value of approximately \$97,564,000.

The gross impact of this rule would be around \$97 M (existing ERA property) plus the tax value of the RRS abatements, which is currently unknown. Since there is no difference in the type and amount of deductions granted under the current and proposed rules, this proposal has **no net impact**.

Information Sources: State Board of Tax Commissioners, Bob Morgan (232-3775); Local Government Database.